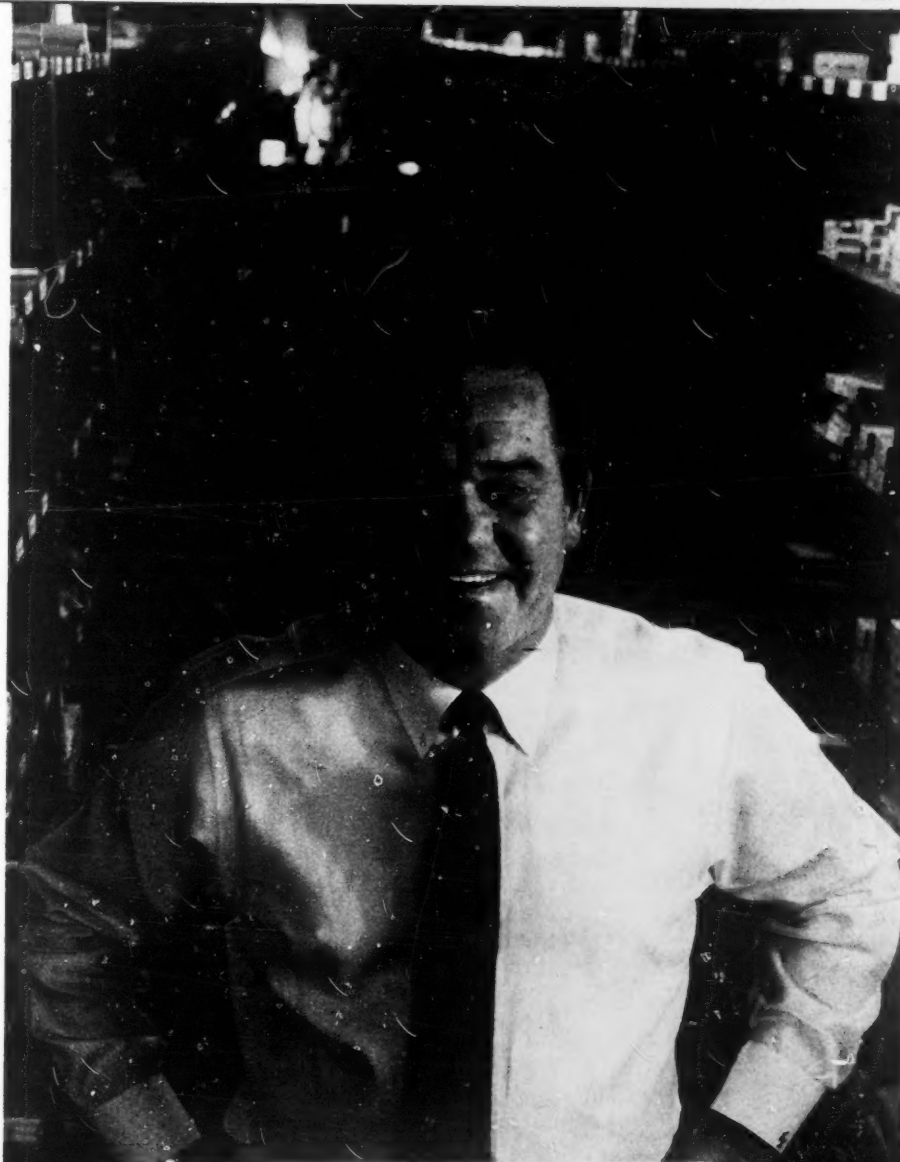


Sales and Marketing MANAGEMENT



Could this
man be the
cutting tool
industry's
Iacocca?

Page 38.

Special Section:
Trade shows

John Houseman,
the commercial
success

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Contents
February 3, 1986

Sales Management

16

Broker relations

Lorraine Cheese plays fair

S&MM Salesgraph

Pressure for sales automation to intensify sharply

17

Sales deployment

James River makes its move

21

Fleet cars

Personal-use rules eased

Marketing Management

23

Apparel marketing

Frederick's moves toward sexual liberation

25

Advertising

Ad game is rough for Johnny U

Market penetration

Plastic hits steel in auto industry

26

Market strategies

At Pathfinder, sales pros make the difference

28

Cessna banks on retail store for plane sales

29

Market expansion

Canteen's perfect mate

Features

38

Could this man be the cutting tool industry's Iacocca?

Morse Cutting Tool was a declining company stuck in a mature market. For Jim Lambert, it was irresistible.

41

S&MM Public Profile: John Houseman, the commercial success

The first in our series of celebrity personality profiles focuses on the pitchman's pitchman (a.k.a. Professor Kingsfield).

44

Alugard tries to come in from the cold

Unwilling to take on antifreeze giant Prestone with just one brand, BASF Wyandotte is using 80 private ones

46

The sun also sets

S&MM's resident psychologist suggests marketers portray the elderly more accurately—or else.

48

Travellers' network

More nuggets of invaluable information for the on-the-road sales and marketing manager.

Special Section

67

Trade Shows

- How to get them where you want them
- Toshiba's Rx for a throng
- Special training for trade shows

Newsletters

37

Industrial newsletter

65

International newsletter

32

Marketing newsletter

Departments

83 Advertisers' index

58 Books

53 Changes in the news

54 Computer in sales & marketing

59 Cooperative advertising

15 Demographics in action

6 Editor's side pocket

62 Ideas you can use

12 Jaundiced eye

8 Letters to S&MM

50 Marketers, et cetera

64 On the road

17 S&MM Predicts

14 S&MM Viewpoint

82 Sales mart

84 Significant trends

85 Worth writing for

S&MM cover photo by
George Platteter



Cover:

Jim Lambert felt the only way to save 122-year-old Morse Cutting Tool was by making over the old-style, conglomerate-run organization into a modern sales and marketing oriented company. How did he do it? By rebuilding the company's image Iacocca-style. Lambert's tale of trials and tribulations begins on page 38.

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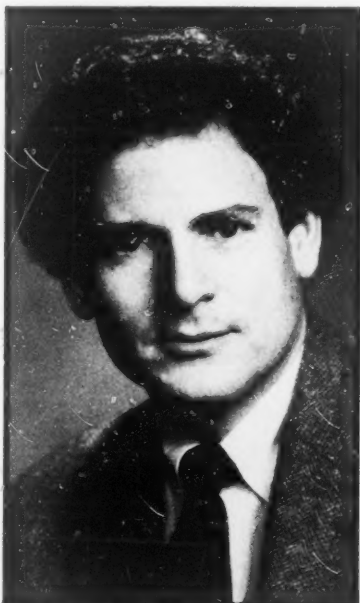
BROKER RELATIONS

Lorraine Cheese plays fair

Les Weil vividly remembers calling one of his food brokers to give him the news. Lorraine Cheese, the \$14-million St. Louis company that Weil co-owned, was being acquired by \$500-million Universal Foods, Milwaukee, and would become part of Universal's cheese division. "There was silence on the other end of the phone," Weil says, "but I knew what he was thinking. Would he lose the account? What would happen to the business he had spent five or six years building?"

Weil knew that such questions would be in the minds of all 35 of Lorraine's brokers. After all, they had seen what had happened in such situations at other companies. Thus he got Universal's management to agree to delay announcing the acquisition in industry papers until he had time to call each broker personally. His message: "We're not turning the business over to other people and leaving you high and dry."

What Weil did was "unique,"



Weil says fair treatment of brokers is "an investment for both sides."

says Jim Effinger, president of Effinger Brokers, Cleveland. "Our industry operates on a 30-day contract. Either party can terminate on 30 days' notice." But Weil told him, he says, that there would have to be mutual agreement before Universal could remove any of Lorraine's established brokers. "I've never heard of this in our industry," he says.

Lorraine's specialty and low-sodium natural cheeses are sold to supermarket deli departments and specialty food stores in all 50 states.

Weil, who is now vice president, sales and marketing, for Lorraine, says his broker network deals with "every major supermarket chain in every major market in the country."

Eventually, three Lorraine brokers were dropped because of product-line conflicts, but that was four to five months after the acquisition agreement in January 1985. In San Francisco, for example, "my broker was a major factor in the market," Weil says, "and head-to-head with Universal." He says that

S&MM SALESGRAPH

Pressure for sales automation to intensify sharply

Between now and 1995, marketers will be under the gun either to boost sales force productivity significantly or to rely more on alternative selling channels. That's the main implication of the federal government's newest set of economic, labor force, industry employment, and occupational employment projections.

According to the Bureau of Labor Statistics' Economic Growth and Employment Projections program, the number of sales workers in manufacturing industries will increase 4.0%, 9.3%, or 13.9%, between 1984 and 1995, depending on whether the general economy is in a low-, moderate-, or high-growth mode.

However, over the same period, manufacturing output (in terms of 1977 dollars) will expand considerably faster. Shipments will rise 18.6% in a low-growth economy, 26.4% in a moderate-growth economy, and 39.2% in a high-growth economy.

The discrepancy in growth rates implies that the average sales worker will have to handle 14% more business by 1995 in a low-growth economy and as much as 22.3% more in a high-growth economy.

The crunch is on

	1984	1995			% Increase		
		Low	Moderate	High	Low	Moderate	High
Sales workers/ manufacturing (thous.)	547	569	598	623	4.0%	9.3%	13.9%
Manufacturing output (\$bil.)	\$809.4	\$959.6	\$1,023.1	\$1,126.7	18.6	26.4	39.2
Output per sales worker (\$mil.)	1.479	1.686	1.711	1.809	14.0	15.7	22.3

Source: Bureau of Labor Statistics, Economic Growth and Employment Projections program.
*Sales and Marketing Management.

Voice mail tackles bigger jobs—like order entry

Computerized voice mail is being expanded beyond its traditional role as a solution to telephone tag problems. Microtel, New York City voice mail outfit, is building a system that will automate the order entry function for a beverage wholesaler who has 60 salespeople in the field.

Microtel president Jim Hoback says the wholesaler's reps phone in their orders daily between 1:00 and 4:00 in the afternoon. Their calls are written up by three telephone salesclerks who then give the orders to three assistants who, in turn, key the data into the wholesaler's mainframe.

Customized software written for Microtel's newest product, Micro-Talker IV, will enable the reps to "talk" their orders via touch-tone phones directly into the mainframe. When a salesperson calls in, voice prompts will guide him through the order-taking sequence. The computer first asks for the rep's identity number, then the customer's account number, and finally a product's code and quantity. After quantity of the order for one product is entered, the computer asks, "Is this the end of the order?" If the rep answers "No" by tapping the "1" on his phone, the computer asks for the next product code. If he answers "Yes" by tapping the "2," the computer signs off.

Hoback says the wholesaler will probably retain one or two of the salesclerks after the system is installed because "15 percent of the orders are phoned in by customers," and he "wants to maintain a personal touch in dealing with them." Aside from its labor-saving advantages, Hoback adds, the system promotes greater accuracy because "there are fewer hands involved in getting the order into the computer."

The Micro-Talker IV that is the system's centerpiece accommo-

dates 4 ports (telephone lines), has nine hours of storage capacity, and uses an 80MB hard disk, Hoback says. Cost of the system is around \$19,800, which is quite an increase from the \$695 price of Microtel's first product, the Micro-Talker I, a 1-port unit.

Hoback says he's sold 340 systems since shipments started last October, and estimates at least half are used in the sales area. "I spent a lot of years in sales and marketing," he says, "and there's nothing more frustrating to a sales rep in the field than making multiple phone

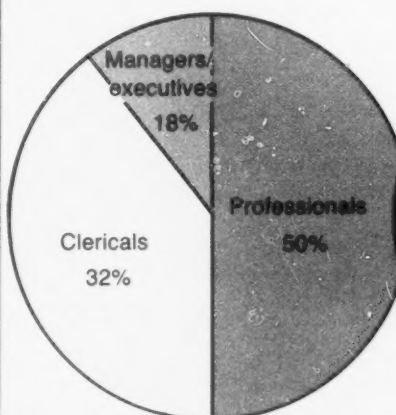
calls just to get a simple answer or try to reach your manager. It's hard to quantify how much time can actually be saved with a Micro-Talker, but if only 20 minutes a day per user can be saved in redialing and telephone tag, that translates to an average \$3,000 a year saving."

Hoback's next project will be linking a Micro-Talker to a mainframe's electronic-mail software system. Voice memos would be sent to and received by any IBM PC/XT on a system network, with mainframe storage used to hold the voice data.

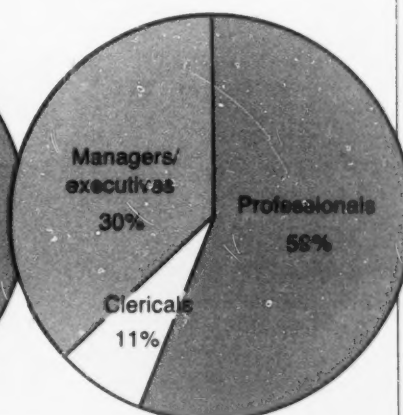
Who uses PCs and portables

Almost three out of five users of portable PCs in Fortune 1000 companies are professionals, according to a survey by Newton-Evans Research, Ellicott City, MD. The professional category includes salespeople, researchers, analysts, administrators—"those who work primarily with information and need access to a computer," says Newton-Evans president Charles Newton. Interestingly, managers account for a bigger proportion of portable-users than of desktop-users. That's because "they travel a lot and want to plug it in and find out if any electronic messages are waiting for them," Newton says. "They also like to take work home with them."

Users of desktops



Users of portables



Source: Newton-Evans Research Co., *Microcomputer Usage Trends in Fortune 1000 Corporations: 1985 Edition*.
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Truck deregulation spurs computer usage

Computerized value-added services will become an integral marketing tool in the transportation industry as competition intensifies in the wake of deregulation, said Douglas M. Slack, vice president of sales, Ryder Truck Rental, Miami. Addressing an American Marketing Assn. conference, Slack said his company

makes increasing use of the computer to improve its own efficiency as well as that of its customers.

Computer modeling, he explained, allows Ryder sales representatives to analyze a prospect's transportation needs and provide him with a detailed financial analysis on the benefits of leasing compared to ownership, or leasing from Ryder as opposed to a competitor. Ryder also makes available to customers software packages that help them plan shipping routes and

schedules as well as identify—by longitude and latitude—the most economic location for a new terminal or warehouse.

"A 'Share-the-savings' program that computes miles-per-gallon performance saved our customers about a half-a-million gallons of fuel last year," Slack said, "and we expect the total to exceed 1 million gallons this year."

"The program would not have been possible without computerization," he added.

A SALES MANAGER'S QUIZ.

In which area would you like to see your salespeople improve their productivity?

- ☐ A. Typing
- ☐ B. Data entry
- ☐ C. Programming
- ☐ D. Finding and closing business.

The productive answer (D) is a SNAP. SNAP is a territory management software system that handles the ABC's while your salespeople handle the business.

For more information about a computer based system that handles the details while your people handle the sales, call: **603/623-5877**. Or write: KLS, Inc., 862 Union St., Manchester, NH 03104.

SNAP

SNAP runs on an IBM PC, XT, AT or compatible.

Audiovisual dealers sell PCs

More than one-fourth, 26%, of the dealers who specialize in audiovisual materials are selling microcomputers, according to a survey by the International Communications Industries Assn. (formerly the National Audio-Visual Assn.). However, indicative of their recent entry into

the PC marketplace, only 12% of the dealers cite micros as a principal product accounting for 50% or more of the overall sales. In contrast, 69% cite AV products as a principal product, with 32% singling out video products, and 31% photographic equipment.

Dramatic shifts in where businesses will buy PC software

Distribution Channel	1984		1990	
	%	\$ Mil.	%	\$ Mil.
Computer retail	53%	\$1,170	22%	\$2,400
Mail order	20	440	40	4,300
Value-added reseller	10	220	20	2,200
Software-only store	5	110	3	300
Direct	2	44	10	1,100
Other	10	220	5	500
Total	100%	\$2,200	100%	\$10,000

Note: Details may not add to totals due to rounding.
Source: Input.

PC users in business offices will strikingly change the ways in which they buy software. Projections by Bonnie Digrius, software research director at Input, Mountain View, CA, indicate that, in reaction to persistent high prices, users will buy proportionately more product directly from vendors as well as mail order houses. VARs (value-added resellers) will also score above-average growth because they customize packages for vertical markets. Retail outlets, such as computer specialty stores and software-only stores, will suffer steadily decreasing market shares.

PCs, small business, and consumer goods marketing

Marketers and retailers of PCs bristle at the suggestion their industry is taking on the traits of consumer goods marketing. But PC vendors have adopted the more obvious traits of consumer selling. Regis McKenna, the well-known Silicon Valley consultant, notes, "Consumer product techniques such as mass advertising and mass promotions have been used in an attempt to 'turn the market on.'"

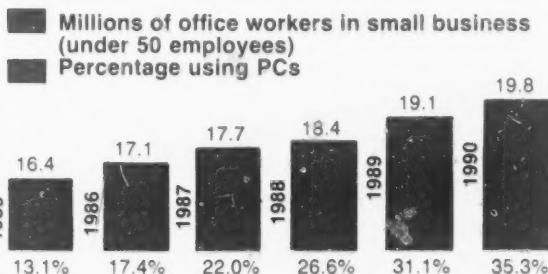
What this demonstrates is that PC vendors are preoccupied with marketing tactics at a time that more emphasis must be placed on the marketing strategy that precedes such tactics. Too often, when a PC vendor trots out a new product, he says it's designed for small businesses. But even in a mass market, all sales are local and not all prospects are alike.

PC vendors should take some of the funds committed to mass advertising and use it to educate resellers on such things as market segmentation. Small businesses as such are an amorphous target, but segmenting them according to geography, size, and type of business gives the resellers more meaningful answers to the perennial "Who is the market?"

For example, according to the latest *County Business Patterns* series, there were 5.3 million establishments in 1983, of which 95% had less than 50 employees. The four vertical industries with the highest PC penetration among office workers, according to Future Computing, are banking/finance, with 46%; insurance, 37%; real estate, 34%; and manufacturing, 33%.

Even within these industries the importance of small establishments varies greatly. Establishments with less than 50 employees account for

PCs in offices of small businesses



Source: Future Computing
Sales and Marketing Management

82% of all manufacturing units, 89% in banking, 90% in insurance, and 99% in real estate.

One reason why PC sales were disappointing in 1985, observes John A. Young, Hewlett-Packard president, is because "all the easy sales have been made." If PC resellers are to carry the burden of making the hard sales to small businesses, they will need more market information from their vendors, who have the resources to develop such information. In the consumer goods industries, it was the producers who carried out the basic market research for the benefit of their distributors.

Ads for mutual funds attract the SEC's ire

The selling season is here again for individual retirement accounts, the time of year when the booming mutual fund industry racks up a good chunk of its annual sales (\$10.5 billion last year). But the Securities and Exchange Commission believes the market may be fuelled in part by misleading advertisements.

The SEC's first salvo on the subject was fired recently in a stern warning to the Washington, DC-based Investment Company Institute (ICI) by Kathryn McGrath, director of the Division of Investment Management. "You can hardly expect us to sit back and ignore some of the doozies [your] marketing people have come up with," she said. "Some existing fundraising activities are horrid and must be stopped." Some of her complaints:

- Funds that invest heavily in stocks should be barred from advertising annualized yields that are based on short-term returns. Only their current returns for the last year should be promoted.
- It is misleading for certain unit investment trusts that have fixed portfolios of bonds to advertise "stale" estimates of their current yields.
- Other trusts should make it clear that their portfolio value is subject to credit and market risks, including fluctuations in interest rates and defaults by bond issuers.

McGrath said the SEC wants the industry to adopt standards that would include a uniform method of calculating yields just as money-market funds have done. "If you read these ads, you get the impression there are 50 funds out there that are number one," she railed.

ICI's general counsel, Matthew Fink, says the problem is not one of abuse but simply the numerous legitimate ways of calculating yields that have to be dealt with.